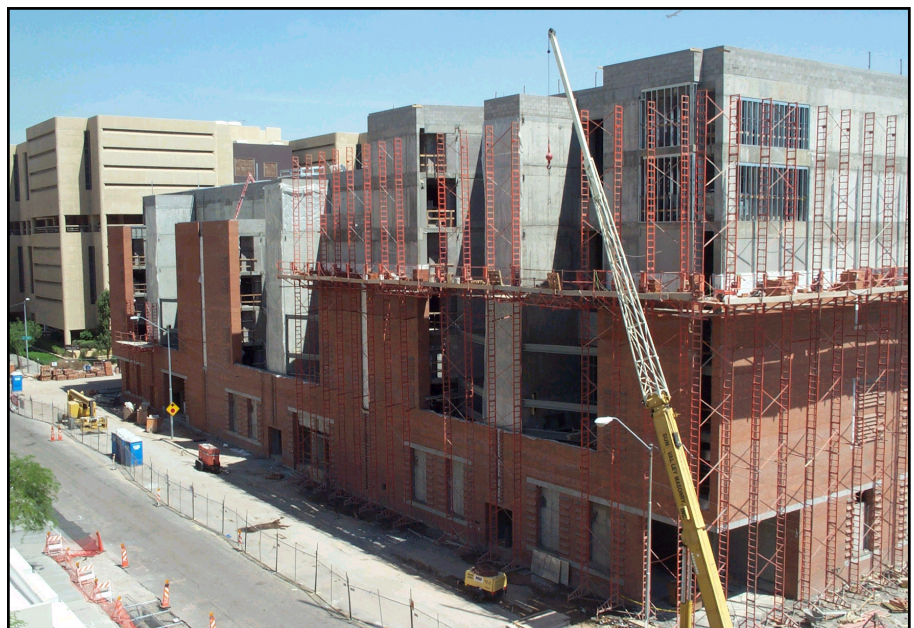




Internal Audit Report

Justice Facilities Expenditures June 2003



Audit Team Members

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June 12, 2003

Fulton Brock, Chairman, Board of Supervisors
Don Stapley, Supervisor, District II
Andrew Kunasek, Supervisor, District III
Max W. Wilson, Supervisor, District IV
Mary Rose Wilcox, Supervisor, District V

We have completed our FY 2002-03 review of Justice Facilities construction expenditures. The audit was performed in accordance with the annual audit plan that was approved by the Board of Supervisors.

The highlights of this report include the following:

- Expenditures for justice facilities construction contracts are properly approved in compliance with the Maricopa County Procurement Code and contract provisions
- Construction contract change orders are made in accordance with the requirements established by the Procurement Code and the Board of Supervisors

Attached are the report summary and detailed findings. No response to the report was required. We have reviewed this information with the Director and appreciate the excellent cooperation provided by management and staff. If you have questions, or wish to discuss items presented in this report, please contact Joe Seratte at 506-6092.

Sincerely,

Ross L. Tate
County Auditor

Introduction

Executive Summary

Jail Tax expenditures made during FY 2003 were properly approved and in accordance with Article 5 and Maricopa County Procurement Code requirements. Change order expenditures were appropriately supported and approved. No reportable exceptions were found during our review.

Background

Maricopa County voters approved Propositions 400 and 401 in November 1998. These propositions authorized a \$.002 excise tax to be used by the County to design, construct, and operate new jail facilities. The Jail Tax, which began January 1, 1999, was to remain in effect for nine years or until collections reach \$900 million. Besides being used to build new adult and juvenile detention facilities, the Jail Tax supports programs aimed at reducing the County's overall jail population.

The construction portion of the project is budgeted at \$513 million. These funds will be used to construct a 1,360 bed downtown, pre-trial jail, 1,808 adult detention beds, a central food factory, laundry, and a central plant at the County's Durango campus. The capital improvement budget will also fund juvenile detention facility improvements (Durango and Mesa) with 13 new courtrooms, judicial suites, administrative offices, and 388 juvenile beds. The map on the following page shows the new facility sites.

Jail Tax Extension

Proposition 411 was approved by Maricopa County residents in the November 2002 election. The approval of the proposition extended the jail excise tax for an additional 20 years. Continuation of the jail tax provides a funding source for rising jail operating costs, projected to be more than \$100 million per year. Without the passage of Proposition 411, the original tax levy, passed in 1998, would have ceased in 2007. As with the original proposition, future jail tax revenues must only be used for jail and criminal justice purposes.

Expenditure Oversight

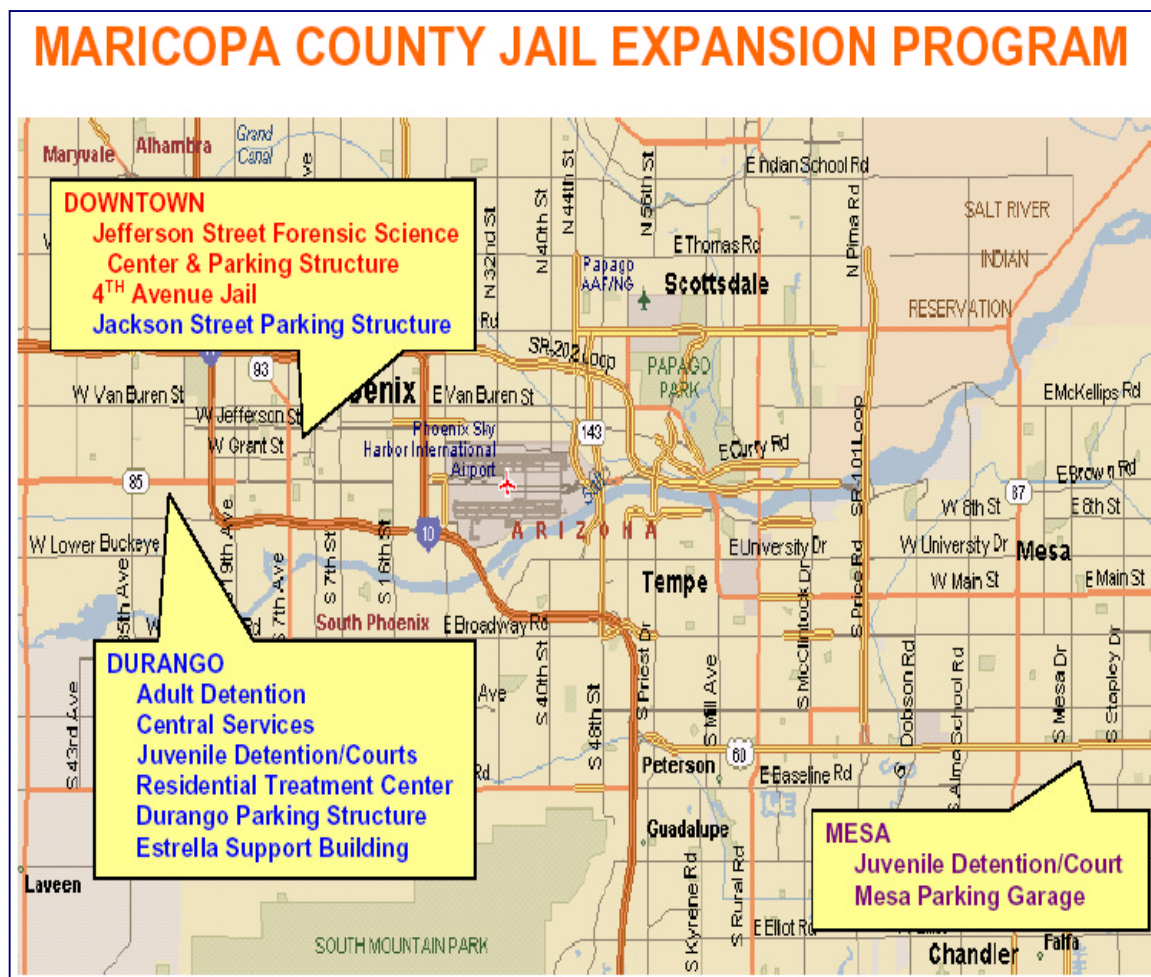
County construction projects exceeding \$4 million, including justice facility projects, are managed by the Capital Facilities Development Department (CFDD). CFDD works with Hunt Jacobs, the project management company, to oversee all aspects of construction. This includes inspection of job sites, verification of work completion, and review and approval of construction expenditures. CFDD had responsibility for the expenditures, and related change orders, executed in FY 2003.

Scope and Methodology

The objectives of this audit were to determine if:

- Construction project billings were adequately reviewed by CFDD and its contracted project managers for compliance with Maricopa County Procurement Code requirements and contract provisions, before authorizing payments.
- Construction contract change orders were made and approved in compliance with the requirements established by the Maricopa County Procurement Code and Board of Supervisors.

This audit was performed in accordance with generally accepted government auditing standards.



Department Reported Accomplishments

The Capital Facilities Development Department has provided Internal Audit with the following information for inclusion in this report.

- CJFDD becomes the CFDD – the Criminal Justice Facilities Development Department (CJFDD) was renamed the Capital Facilities Development Department (CFDD) in August 2002. CJFDD's mission was overseeing the design and construction of the Jail Expansion Program approved by voters in 1998. CJFDD was renamed CFDD and became responsible for all capital construction projects in excess of \$ 4 million.
- Merger with the Facilities Management Department – CFDD merged with the Facilities Management Department (FMD) in March 2003 in an effort to consolidate capital construction in one department. As part of the merger, CFDD and FMD are undergoing reorganization, developing a Strategic Business Plan, and creating an e-Manual.
- 4th consecutive year without audit findings – This is CFDD's 4th consecutive year without material audit findings in any of the audits performed by Internal Audit, Payroll, and Materials Management. This is an especially significant achievement in light of all the changes CFDD has undergone in the past year, while still maintaining a high level of oversight and performance.

Issue 1 Expenditure Testing

Summary

Jail Tax expenditures made during FY 2003 were properly approved and in accordance with Article 5 and Maricopa County Procurement Code requirements. Change order expenditures were appropriately supported and approved. No reportable exceptions were found during our review.

Expenditure Requirements

Maricopa County Procurement Code Article 5-515 requires that construction contract payments be made in accordance with rates and schedules identified in the contract. The Procurement Code and construction contracts contain other specific payment requirements, which include:

- Contractor payment applications must be processed within seven calendar days of receipt of a certified and approved payment request, which are to be submitted on a monthly basis.
- Contractors' Application and Certificate for Amount must be reviewed and approved by the County's construction program manager, the project architect, and Project Manager.
- Contractors must submit a cost-loaded schedule with their Application and Certificate for Amount.

Article 5 of the Procurement Code also establishes authority and sets dollar limitations for construction contract change orders.

Expenditure Testing

During our testing, we found that multi-level controls ensure jail tax construction funds are utilized only for appropriate purposes. Our testing of contract expenditures found no exceptions to applicable requirements. The controls function over the processing of contractor payment requests as well as in the implementation of construction change orders.

To determine the effectiveness of controls, we tested a large sample of construction contract expenditures. We reviewed the top 30 expenditures from FY 2003, totaling \$100 million, which represented 77 per cent of total FY 2003 expenditures. We found no exceptions in the expenditures tested.

To ensure construction change orders are properly controlled, we reviewed change orders initiated from FY 2000 to the present. We tested them to ensure the change orders were supported by back up documentation and approved by an appropriate level of authority. We found no reportable exceptions in any of the change orders reviewed.

Recommendation

None, for information only.